WHAT IS
the first home super saver scheme?

If you are a first home buyer, you can choose to save money for your first home inside your super fund. This helps grow your deposit faster, because your savings receive the same concessional tax treatment as super.

As a First home buyer, you can boost savings put towards a deposit by accessing the First home super saver scheme (FHSSS). As all amounts saved through the scheme will only be taxed at 15% instead of your marginal tax rate, this can help you purchase your first home sooner.

To release funds under the scheme, you must:

- Be 18 years or over,
- Not have owned a property in Australia. “Property” includes an investment property, a commercial property, a company title interest in land or dwelling, vacant land, or a lease of land anywhere in Australia.
- Not have previously released FHSSS funds
- Either live or intend to live in the premises being purchased as soon as practicable, and
- Intend to live in the property for at least six months within the first 12 months of purchasing, after it is practical to move in[1].

Each member of a couple meeting eligibility criteria may participate in the scheme as desired.

Benefits of the FHSSS

The FHSSS offers significant tax benefits for first home buyers in Australia. By utilising the FHSSS, you can effectively reduce your taxable income in the year you make your voluntary concessional contribution, which potentially lowers your overall tax liability. If you make pre-tax (concessional) contributions, it is taxed at a rate of 15% in the superannuation fund. This is generally lower than your marginal tax rate, which can be up to 45%. The money in the super fund earns investment returns, and these earnings are generally taxed at a maximum rate of 15%, which is also typically lower than the tax rate on personal income. When withdrawing funds under the FHSSS, the amount released is tax-free, up to the amount of voluntary contributions made. However, if earnings are included, they may be subject to tax at marginal tax rates minus a 30% tax offset. Overall, it’s a strategic approach to assist first home buyers in entering the property market.

1. Exemptions may apply if the Commissioner of Taxation has determined you have suffered a financial hardship.

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How can I contribute to the FHSSS?

Only certain voluntary contributions to super can be counted toward the FHSSS. These include salary sacrifice and personal deductible (before-tax) contributions, and non-concessional (after-tax) contributions.

Super guarantee contributions or other mandated contributions paid by your employer cannot be counted as FHSSS contributions. Likewise, spouse contributions and government co-contributions are excluded, as are various other types of contributions listed on the ATO website.

How much can I release?

You can have a maximum of $15,000 of your voluntary contributions from any one financial year included in your eligible contributions to be released under the scheme, up to a total of $50,000 across all years.

The order and type of contributions made into superannuation can make a difference to the amount released. You can withdraw, taking into account the yearly and total limits:

- 85% of your concessional amounts, and
- 100% of your non-concessional amounts

In addition to the above, the ATO will calculate an amount of deemed earnings associated with both the concessional and non-concessional contributions. This is called "associated earnings", which will also be released with the contributions.

How do I release FHSSS amounts?

You can apply online to the ATO using your MyGov account. Once the ATO determines the amount for release, and you agree to the amount, the ATO will authorise your superannuation fund(s) to release funds to the ATO. As concessional contributions and all associated earnings are included in your assessable income, the ATO will withhold the appropriate amount of tax and send the balance of savings to you.

Other important things

It is not compulsory for all superannuation funds to participate in the scheme. Therefore, before commencing voluntary contributions towards the scheme, check that your nominated superannuation fund(s) will release the money when required. In particular, you should not make contributions into a defined benefit fund or a constitutionally protected superannuation fund, as these are not eligible to release money under the FHSS scheme

You may contribute up to existing superannuation contribution caps each year. Having amounts released under the scheme does not affect the calculation of your concessional or non-concessional contributions for cap calculation purposes.

The amount of concessional contributions and associated earnings released will be included in your assessable income and taxed at your marginal tax rate in the year of the release. However, you are also entitled to a 30% tax offset on the assessable amount. The ATO will apply withholding tax up to 17% of the assessable amount when the amount is released to you. You will receive a payment summary at the end of the financial year, which will show your assessable FHSSS released amount and the amount of tax withheld.

Only one FHSSS amount can be released and there is a time limit on the use of funds.

You must apply for and receive a FHSSS determination from the ATO before signing a contract for your first home or before applying for the release of an FHSSS amount.

The contract you enter into has to be for a residential premises located in Australia. It cannot be any of the following types of property:

- any premises not capable of being occupied as a residence
- a houseboat
- a motor home, or

- vacant land, unless you purchase the vacant land to build a home on, in which case you must enter into a contract to construct a home within 12-months from the date you request the FHSSS release. You must not have purchased the vacant land before applying for an FHSSS determination.

You can sign a contract to purchase or construct a home from the date you make a valid request to release FHSSS amounts or up to 14 days before you make a valid request to release FHSSS amounts.

You are not required to wait until the first FHSSS amount is released to you before signing a contract to purchase or construct a home, although you must notify the ATO within 28 days of signing the contract.

If you do not purchase a home within 12 months of receiving the FHSSS amount, you can:

- apply for a 12-month extension from the ATO
- Recontribute the amount as a non-concessional contribution, or
- Keep the released amount and be subject to 20% FHSSS tax, which is 20% of the assessable released amount, not the total amount released. This removes the tax benefit you received from using the FHSSS.

If you re-contribute the assessable FHSSS amount (less tax withheld) into your super fund, you must notify the ATO within 12 months of the date you requested the release of your FHSSS money.